

Market Based Approaches Track

Economic Incentives: Lessons from the Air Program Workshop

Economic Incentives: Lessons From The Air Program

Southern California's Regional Clean Air Incentives Market (RECLAIM)

The RECLAIM program was adopted by the South Coast Air Quality Management District (AQMD) in 1993 and applies to facilities emitting 4 tons or more per year of Nitrogen Oxides (NOx) and/or Sulfur Oxides (SOx). This program replaces prior command and control rules and control measures. AQMD establishes annual NOx and/or SOx allocations for each compliance year based on historical reported emissions. RECLAIM allows each facility to determine for itself the most cost-effective approach to reduce emissions, including purchasing credits from other facilities. Additionally, they can purchase mobile source and area source credits for use in the RECLAIM program. Currently, the RECLAIM program includes approximately 370 facilities from various industrial sectors such as refineries, power plants, aerospace companies, asphalt batch plants, chemical plants, cement plants, etc.

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Ozone Transport Commission's NOx Budget Program

Realizing that NOx emissions from utilities and large industrial boilers are a major cause of the region's ozone pollution problem, eleven of the twelve members of the Ozone Transport Commission (established by Congress as part of the Clean Air Act Amendments of 1990 to address the region-wide transport of ground level ozone) signed a Memorandum of Understanding (OTC MOU) in September of 1994 to reduce ozone season NOx emissions from these sources. The OTC is achieving the reductions called for in the OTC MOU through a market-based budget and trading program. The OTC developed a "NOx Budget Model Rule" with specific provisions for implementing the NOx Budget program. Any State that has adopted regulations based on the model rule into their State Implementation Plan counts the NOx Budget Program as one component of that State's plan to reduce ozone precursor emissions and demonstrate reasonable further progress toward achievement of air quality standards, as required by the Clean Air Act.

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New Jersey's Open Market Emissions Trading Program

In 1996 New Jersey's Department of Environmental Protection (NJDEP) established an Open Market Emissions Trading (OMET) Program. The initial goals of this program included both 1) providing incentives for voluntary reduction of ozone precursor emissions; and 2) offering lower cost and/or more convenient compliance alternatives that are as effective in achieving environmental protection goals. In 1999 NJDEP amended the program to allow generation and banking of greenhouse gas emission reductions, in order to encourage and recognize early actions that would contribute to deterring global climate change and sea level rise.

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